

# Labour Codes & Its Impact on Business



The labour laws in India have been codified and merge into 4 codes

1. The Code on Wages, 2019
2. The Code on Social Security, 2020
3. The Industrial Relations Code, 2020
4. The Occupational Safety, Health, and Working Conditions Code, 2020

Possible Implementation effective from **1st April 2021** and currently, the rulemaking process is on.

- The **impact on the business** is coming from these changes.
- The code covers **all employees** irrespective of the level or hierarchy of the people (except the IR Code)
- The new wage definition mandates the employer to maintain **at least 50% of all the remuneration** as included component for social security benefits like PF, Gratuity and bonus. This provision to the wage definition explains that if the excluded component portion exceeds 50% of all the remuneration, such excess is required to be added back to the inclusion part.
- The Code on the Social Security mandates registration of all the covered establishments.
- The applicability is now set for establishments which have **300 or more employees** which were earlier 100 or more employees.

Establishment of Grievance Redressal Committee - under IR Code The Code mandates the Constitution of GRC. Even though this provision was available in the ID Act 1947, it was not enforced. Now we will see the enforcement as this is linked to conciliation as well now.

**Workers Reskilling Fund** - The employer is now required to pay additional 15 days wages to the fund in case of retrenchment of employees.

## What could be the impact on the businesses ?

- The **compensation structure** requires a relook to align with the new wage definition and other legal obligations.
- The **social security benefits** like PF and Gratuity will increase as the law decides what is the wages for this purpose. This will lead more payout from the employers and also it may impact the employees on their take home as their contribution will also increase.
- This will also have an impact on the **payment of Bonus**.
- The EL encashment which many of the companies make on the Basic & DA will change due to the new wage definition under the Code.
- The above changes will progressively impact on the **actuarial valuation** which is done on **Leave with Wages and Gratuity** and the provisions in the books are required to be aligned accordingly.
- The codes, in particular, the Code on Social Security mandates single registration in **Shram Suvidha Portal**, the current registration of the establishments required to be checked for compliance.
- As the Standing orders are not applicable to establishments more and more workers due to the new application clause, the employment contracts will be the source of terms and conditions. Therefore , it is necessary to evaluate the employment contracts to avoid any future issues.
- The Grievance redressal committee now has the statutory force, it needs to be constituted without fail and the employer is required to frame the policy framework for the proper implementation of GRC.
- The internal policies of the company need an evaluation to check the compliance with the labour codes.

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